

STATE REVOLVING LOAN FUND ANNUAL REPORT HIGHLIGHTS OF OPERATIONS - JULY 1, 2005 TO JUNE 30, 2006

I. INTRODUCTION

The Louisiana Department of Environmental Quality (the "DEQ" or the "Department"), Financial Services Division, in compliance with the Environmental Protection Agency (the "EPA") rules and regulations and federal grant requirements, submitted the State Revolving Loan Fund Annual Report for the fiscal year ending June 30, 2006 on September 22, 2006. This report describes how the State of Louisiana has met the goals and objectives identified in its Intended Use Plans and grant agreements.

The Financial Services and the Waste Permits Divisions within DEQ are responsible for the operations of the Municipal Facilities Revolving Loan Fund (MFRLF) Program in the State of Louisiana. These divisions within DEQ provide assistance to municipalities in the development, financing and implementation of wastewater treatment management plans and plants. Engineering oversight, design review, inspection services, and environmental assessment services are provided by the Waste Permits Division and grant management, program administration and financial services are provided by the Financial Services Division. All efforts are directed toward improving water quality by assisting communities in providing wastewater treatment processes that meet established effluent limits and achieve the goals of the Clean Water Act.

II. FY06 PROGRAM HIGHLIGHTS

The MFRLF has been awarded 18 federal grants from EPA. These grants are available through the EPA's Automated Clearing House Payment System (ACH) and the Automated Standard Application for Payments (ASAP). These grants are authorized by Title VI of the Clean Water Act, as amended in 1987 and require matching funds from the state. As of June 30, 2006, the EPA has awarded grants of \$276,192,068 to the state, of which \$246,394,715 has been drawn for loans and administrative expenses. The state has provided matching funds of \$53,165,102.

The State of Louisiana has provided its required state match on estimated Federal grant awards in various ways including cash appropriations, a State Letter of Credit (LOC), a Match Bond issue and Tobacco Settlement Revenues. The State has deposited a total of \$53,165,102 (note 7) in State Match into the fund. The CWSRF is in the process of securing more matching funds through the issuance of additional revenue bonds in FY 07.

Under the terms of the grants, four percent (4%) of the federal award is allocated to fund the administrative costs of operating the Program. At June 30, 2006, a balance of \$939,128 in unexpended 4% funds was available for program administration.

Also, an administrative fee of 0.5% is assessed on all outstanding loan balances. These fees are collected and held outside the MFRLF to administer the program when the 4% administrative set aside generated by the capitalization grant is no longer available, or other water quality management projects allowed by the fund.

MFRLF operates as a direct loan program where Federal and State monies are lent directly to municipalities. Three binding commitments totaling \$24,340,000 and 3 loans totaling \$24,340,000 were awarded in FY 06.